

MOMMA'S, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

MOMMA'S, INC.
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DECEMBER 31, 2009 AND 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Momma's, Inc.

I have audited the accompanying statements of financial position of Momma's, Inc. (Momma's) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. Management of Momma's is responsible for the financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Momma's' internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Momma's, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Pisani CPA, LLC

Pisani CPA, LLC
Brentwood, NY

June 29, 2010

MOMMA'S, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	<u>ASSETS</u>	
	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and cash equivalents	\$ 508,003	\$ 453,929
Investments	14,232	12,197
Accounts receivable	2,805	4,379
Grants receivable	67,515	203,322
Promises to give, net	13,338	53,180
Prepaid expenses	8,400	-
	614,293	727,007
Total current assets	614,293	727,007
Property and equipment, net of accumulated depreciation	262,126	261,778
Promises to give, net, long term	2,750	7,097
Timeshare	9,000	9,000
Security deposits	11,000	11,000
	\$ 899,169	\$ 1,015,882
Total assets	\$ 899,169	\$ 1,015,882
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities		
Refundable advance	\$ 3,437	\$ 3,618
Accrued payroll and related liabilities	3,996	7,967
	7,433	11,585
Total current liabilities	7,433	11,585
Security deposit payable	2,694	-
Net assets		
Unrestricted	638,743	744,126
Temporarily restricted	250,299	260,171
	889,042	1,004,297
Total net assets	889,042	1,004,297
	\$ 899,169	\$ 1,015,882
Total liabilities and net assets	\$ 899,169	\$ 1,015,882

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>			<u>2008</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue						
Contributions	\$ 186,285	\$ -	\$ 186,285	\$ 230,719	\$ 3,745	\$ 234,464
Grant revenue	49,607	126,105	175,712	47,336	208,706	256,042
Contributed equity securities	1,040	-	1,040	-	-	-
Contributed services	2,000	-	2,000	-	-	-
Contributed materials	27,344	-	27,344	24,486	-	24,486
Special events, gross proceeds	75,511	-	75,511	157,280	-	157,280
Less: Direct benefits to donors	(20,979)	-	(20,979)	(61,007)	-	(61,007)
Net proceeds from special events	54,532	-	54,532	96,273	-	96,273
Rent income	107,274	-	107,274	117,950	-	117,950
Dividend and interest income	7,205	-	7,205	8,113	-	8,113
Unrealized gain (loss) on investments	749	-	749	(19,396)	-	(19,396)
Net assets released from restrictions	135,977	(135,977)	-	262,214	(262,214)	-
Total support and revenue	572,013	(9,872)	562,141	767,695	(49,763)	717,932
Expenses						
Program services	541,730	-	541,730	552,200	-	552,200
Support services						
Management and general	101,064	-	101,064	98,089	-	98,089
Fundraising	34,602	-	34,602	40,876	-	40,876
Total support services	135,666	-	135,666	138,965	-	138,965
Total expenses	677,396	-	677,396	691,165	-	691,165
Change in net assets from operations	(105,383)	(9,872)	(115,255)	76,530	(49,763)	26,767
Change in value of long-lived asset	-	-	-	500	-	500
Change in net assets	(105,383)	(9,872)	(115,255)	77,030	(49,763)	27,267
Net Assets, beginning of year	744,126	260,171	1,004,297	667,096	309,934	977,030
Net Assets, end of year	<u>\$ 638,743</u>	<u>\$ 250,299</u>	<u>\$ 889,042</u>	<u>\$ 744,126</u>	<u>\$ 260,171</u>	<u>\$ 1,004,297</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Employee Compensation				
Salaries	\$ 285,090	\$ 49,601	\$ 18,919	\$ 353,610
Employee benefits	18,028	3,136	1,196	22,360
Payroll taxes	20,069	3,794	1,447	25,310
Total employee compensation	<u>323,187</u>	<u>56,531</u>	<u>21,562</u>	<u>401,280</u>
Other expenses				
Accounting	\$ -	\$ 5,000	\$ -	\$ 5,000
Advertising	775	-	-	775
Auto expense	853	-	-	853
Contributions	-	200	-	200
Dues and subscriptions	-	450	-	450
Event expense	-	-	3,980	3,980
Food	34,881	-	-	34,881
House expense	1,949	-	-	1,949
Insurance	10,287	17,549	-	27,836
Miscellaneous	-	2,138	-	2,138
Office expense	2,307	3,203	1,485	6,995
Postage	940	1,304	605	2,849
Printing	2,263	3,142	1,457	6,862
Professional fees	2,000	-	-	2,000
Recreation and client services	3,157	-	-	3,157
Rent	87,932	8,791	4,077	100,800
Repairs and maintenance	11,445	-	-	11,445
Supplies	10,297	-	-	10,297
Telephone	646	900	411	1,957
Utilities	33,568	1,552	720	35,840
Depreciation	15,243	304	305	15,852
Total other expenses	<u>218,543</u>	<u>44,533</u>	<u>13,040</u>	<u>276,116</u>
Expenses reported by function	<u>\$ 541,730</u>	<u>\$ 101,064</u>	<u>\$ 34,602</u>	<u>\$ 677,396</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Supporting Services			
	Program Services	Management and General	Fundraising	Total
Employee Compensation				
Salaries	\$ 292,859	\$ 38,707	\$ 17,058	\$ 348,624
Employee benefits	18,905	2,499	1,101	22,505
Payroll taxes	22,785	2,961	1,305	27,051
Total employee compensation	334,549	44,167	19,464	398,180
 Other expenses				
Accounting	\$ -	\$ 8,627	\$ -	\$ 8,627
Advertising	475	-	-	475
Auto expense	399	-	-	399
Conferences and seminars	1,185	-	-	1,185
Event expense	-	-	10,689	10,689
Food	31,470	-	-	31,470
House expense	2,137	-	-	2,137
Insurance	8,900	16,252	-	25,152
Miscellaneous	-	3,651	70	3,721
Office expense	3,841	6,067	2,477	12,385
Postage	1,102	1,741	711	3,554
Printing	1,301	2,057	840	4,198
Recreation and client services	2,849	-	-	2,849
Rent	99,368	9,112	3,720	112,200
Repairs and maintenance	11,259	-	-	11,259
Supplies	9,552	1,205	492	11,249
Telephone	3,719	487	221	4,427
Utilities	26,776	4,306	1,758	32,840
Depreciation	13,318	417	434	14,169
Total other expenses	217,651	53,922	21,412	292,985
Expenses reported by function	\$ 552,200	\$ 98,089	\$ 40,876	\$ 691,165

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ (115,255)	\$ 27,267
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	15,852	14,169
Unrealized (gain) loss on investments	(749)	19,396
(Gain) loss on impairment of long-lived asset	-	(500)
Contribution of marketable equity securities	(1,040)	-
Change in operating assets and liabilities		
(Increase) decrease in accounts receivable	1,574	(4,379)
(Increase) decrease in grants receivable	135,807	(19,433)
Decrease in net promises to give	44,189	1,423
(Increase) decrease in prepaid expenses	(8,400)	11,152
Decrease in accounts payable and accrued expenses	-	(2,436)
Decrease in refundable advance	(181)	(43,400)
Increase (decrease) in accrued payroll and related liabilities	(3,971)	5,197
Increase (decrease) in security deposit payable	2,694	(800)
Net cash provided by operating activities	<u>70,520</u>	<u>7,656</u>
Cash flows from investing activities		
Improvements to residential home	<u>(16,446)</u>	<u>(6,230)</u>
Net cash used in investing activities	(16,446)	(6,230)
Net increase in cash and cash equivalents	54,074	1,426
Cash and cash equivalents, beginning of year	<u>453,929</u>	<u>452,503</u>
Cash and cash equivalents, end of year	<u>\$ 508,003</u>	<u>\$ 453,929</u>
Supplemental Information		
Non-cash transactions		
Contributed equity securities	\$ 1,040	\$ -
Contributed services	2,000	-
Contributed materials	27,344	24,486
Total non-cash transactions	<u>\$ 30,384</u>	<u>\$ 24,486</u>
The non-cash contributions have been recorded in the following accounts.		
Special events, gross proceeds	\$ 12,344	\$ 9,486
Food and supplies	15,000	15,000
Professional fees	2,000	-
Investments	1,040	-
	<u>\$ 30,384</u>	<u>\$ 24,486</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(1) Nature of Activities, Nonprofit Status and Significant Accounting Policies

Nature of Activities

Momma's, Inc. is a residential program for young mothers and their children, providing a supportive environment for mother-child bonding and pursuit of work or schooling for up to two years after the birth of the child with the goal of self-sufficiency upon completion of the program. Momma's operates in Nassau County, New York; revenue consists primarily of contributions and grant revenues.

Nonprofit Status

Momma's, Inc. was incorporated in 1986 and is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c) (3) of the Internal Revenue Code. Donors may deduct contributions made to Momma's within the requirements of the Internal Revenue Code.

Significant Accounting Policies

The following are the more significant accounting policies used in the preparation of the accompanying financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board. Momma's reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(1) **Nature of Activities, Nonprofit Status and Significant Accounting Policies** (continued)

Revenue Recognition

Momma's' revenue consists of grants, contributions, fundraising and special event revenues. Unrestricted grants, contributions and fundraising revenue intended for the current period are recognized when received. Restricted grants, contributions and fundraising revenue are recorded as temporarily restricted support and net assets if they are received with donor stipulations that limit the use of the contributed assets. When a donor or sponsor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services and Materials

Momma's records various types of contributed support, including services and materials. Momma's recognizes certain services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as contributed services are offset by like amounts included in expenses.

Fair Value Measurements

Momma's defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(1) **Nature of Activities, Nonprofit Status and Significant Accounting Policies** (continued)

Property and Equipment

Acquisitions of property and equipment with useful lives greater than one year are recorded at cost. Property and equipment acquisitions are depreciated using the straight-line method over the estimated useful lives of the assets.

Estimates

The preparation of financial statements in accordance with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Momma's considers all highly liquid investments available for current use with an initial maturity date of three months or less to be cash equivalents.

Subsequent Events

Momma's has evaluated subsequent events through June 29, 2010 which is the date these financial statements were available to be issued.

(2) **Concentration of Credit Risk**

Momma's maintains its cash balances in several high-quality financial institutions. The balances were insured by the Federal Deposit Insurance Corporation up to \$250,000 in the years ended December 31, 2009 and 2008. Momma's' uninsured cash balances totaled \$0 and \$81,564 at December 31, 2009 and 2008, respectively.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(3) Unconditional Promises to Give

Momma's had unconditional promises to give representing the following at December 31, 2009 and 2008, respectively:

	<u>2009</u>	<u>2008</u>
Unrestricted	\$ -	\$ 38,500
Purchase of residential home	<u>19,120</u>	<u>27,755</u>
Total Promises to Give	<u>\$ 19,120</u>	<u>\$ 66,255</u>
Receivable in less than one year	\$ 16,088	\$ 53,555
Receivable in one to five years	<u>2,750</u>	<u>12,700</u>
Total unconditional promises to give	18,838	66,255
Less allowances for uncollectible promises	-	(375)
Less discounts to net present value	<u>(2,750)</u>	<u>(5,603)</u>
Net unconditional promises to give	<u>\$ 16,088</u>	<u>\$ 60,277</u>

Unconditional promises to give are discounted at 5%.

(4) Property and Equipment

Property and equipment, accumulated depreciation and the estimated useful lives as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>	<u>Estimated Useful Lives</u>
Office equipment	\$ 450	\$ 450	5 years
Furniture and fixtures	9,232	9,232	5 years
Automobile	17,000	17,000	5 years
Computer equipment	10,919	10,919	5 years
Leasehold improvements	46,852	30,652	5 years
Residential home	<u>265,257</u>	<u>265,257</u>	39 years
	349,710	333,510	
Less accumulated depreciation	<u>87,584</u>	<u>71,732</u>	
Property and equipment, net	<u>\$ 262,126</u>	<u>\$ 261,778</u>	

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(4) Property and Equipment (continued)

Depreciation expense was \$15,852 and \$14,169 for the years ended December 31, 2009 and 2008, respectively.

(5) Grants Receivable

At December 31, 2009 and 2008, grants receivable consisted of the following:

	<u>2009</u>	<u>2008</u>
Nassau County	\$ 16,667	\$ 142,151
US Housing and Urban Development	50,848	61,171
	<u>\$ 67,515</u>	<u>\$ 203,322</u>

Management considers all grants receivable to be fully collectible.

(6) Investments

Momma's measures its investments at fair value, as defined in Note 1. Accordingly, Momma's uses a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs requiring the most observable inputs be used when available. The hierarchy prioritizes the inputs in the valuation techniques used to measure fair value into three broad levels (Level 1, 2 and 3).

Level 1 financial instruments are valued by observable inputs that reflect quoted prices for identical assets or liabilities in active markets that Momma's has the ability to access at the measurement date. Examples of Level 1 securities include highly liquid U.S. Treasury securities and exchange traded securities. The following investments at December 31, 2009 and 2008, respectively are categorized at Level 1.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(6) Investments (continued)

Investments held by Momma's at December 31, 2009 and 2008, at fair value, consist of the following:

	<u>2009</u>	<u>2008</u>
Equity Securities	\$ 14,232	\$ 12,197

Investment return consists of the following for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 7,205	\$ 8,113
Unrealized gain (loss)	749	(19,396)
Total investment return	\$ 7,954	\$ (11,283)

During the years ended December 31, 2009 and 2008, Momma's received contributions of equity securities valued at \$1,040 and \$0, respectively.

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes at December 31, 2009 and 2008, respectively:

	<u>2009</u>	<u>2008</u>
Operation of residential home	\$ 50,849	\$ 60,721
Purchase of residential home	199,450	199,450
Total temporarily restricted net assets	\$ 250,299	\$ 260,171

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(8) In-kind Contributions

Momma's receives contributed goods and services in support of various aspects of its programs. During the years ended December 31, 2009 and 2008, Momma's received the following in-kind contributions that have been reflected in the financial statements:

	<u>2009</u>	<u>2008</u>
Special events, gross proceeds	\$ 12,344	\$ 9,486
Professional fees	2,000	-
Food and supplies	<u>15,000</u>	<u>15,000</u>
 Total in-kind contributions	 <u>\$ 29,344</u>	 <u>\$ 24,486</u>

Momma's receives a significant amount of contributed services of volunteers in connection with its various programs which do not meet the criteria for recognition. Accordingly, the value of these contributed services has not been reflected in the accompanying financial statements.

(9) Leasing Arrangements

Momma's leases space under a noncancelable lease agreement for use of premises at the Roman Catholic Parish of St. Rocco in Glen Cove, NY which expires September 30, 2010. The agreement provides for monthly rental payments of \$2,300. Rent expense was \$27,600 for each of the years ended December 31, 2009 and 2008. Future lease payments are:

2010	\$	27,600
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On January 1, 2006, Momma's entered into a new lease for its office facilities on Wantagh Avenue, which expires January 31, 2011. Momma's entered into the agreement to equally share the facilities and lease obligation with another nonprofit organization. Rent expense was \$19,200 and \$18,100 for the years ended December 31, 2009 and 2008, respectively under the agreement. Future lease payments are:

2010	\$	20,400
2011		1,750

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(9) Leasing Arrangements (continued)

On August 1, 2007, Momma's entered into a new lease for a residential home in Hempstead, NY, which expires July 31, 2009. Momma's has the option to renew the lease for an additional one year period for the next three years at a rental expense of \$3,000 per month. In early 2009, Momma's renegotiated the lease for 2009 at \$2,000 per month. Rent expense was \$24,000 and \$36,000 for the years ended December 31, 2009 and 2008, respectively. Future lease payments are:

2010	\$	24,000
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(10) Residential Home Purchase

In November 2004, Momma's entered into a conditional grant agreement with the US Department of Housing and Urban Development (HUD) to provide permanent supportive housing in Nassau County. The grant amount is \$327,472, \$130,000 of which was designated as part of the purchase price of the E. Massapequa home. The remaining \$197,472 of the grant was originally to be used for the operation and administration of the home for a four year period:

2005	\$	16,589
2006		65,824
2007		65,824
2008		49,235
	\$	<u>197,472</u>

Under the terms of the grant, Momma's must maintain ownership of the E. Massapequa home and operate it as supportive housing for a twenty year period from the date of initial occupancy. If the agreement is materially breached in this manner, HUD may reduce or recapture the grant award or continue the grant with a substitute recipient of HUD's choosing.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(10) Residential Home Purchase (continued)

In June 2005, Momma's purchased the residential home in E. Massapequa, New York which substantially met the terms of the HUD grant. The home will provide additional housing for unwed mothers and their children. The purchase price of the home was \$200,000. In the years ended December 31, 2009 and 2008, Momma's received \$26,968 and \$53,058 under the agreement for the operation and administration of the home. Annual operating expenses for the home are less than originally anticipated. Accordingly, a budget modification for the grant was approved by HUD in the year ended December 31, 2008.

In the year ended December 31, 2009, HUD terminated the November 2004 grant agreement with Momma's and \$34,202 of the unspent contract amount was returned to HUD.

In July 2009, Momma's entered into a new grant agreement with HUD to provide housing for unwed mothers and their children totalling \$63,657. Momma's received \$12,808 under the agreement in the year ended December 31, 2009.

(11) Residential Home Agreement

In June 2006, Momma's entered into an agreement with Nassau County to operate a County-owned home in Jericho, NY as a community home and temporary residence for up to five women, up to five babies under two years of age and up to two house mothers. The agreement is cancelable by either party with thirty days notice of termination in writing. The agreement provides for a monthly permit fee of \$2,500. Total permit fee expense was \$30,000 under the agreement for the program for each of the years ended December 31, 2009 and 2008, respectively, and is recorded on the Statement of Functional expenses as Rent.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(12) Change in Value of Timeshare

Momma's reviews the recoverability of long-lived assets when circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its estimated fair value. In the years ended December 31, 2009 and 2008, Momma's reviewed the carrying value of the Timeshare assets and based on a comparison to their fair value, a gain of \$500 was recognized in the year ended December 31, 2008.